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July 18, 2005

Mary Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Default Service Procurement

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D.T.E. 04-115

Dear Secretary Cottrell,

Attached is a fact sheet provided by the Massachusetts Technology Collaborative (MTC). This fact sheet outlines the MTC's Massachusetts Green Power Partnership, which MTC agreed to provide during the technical conference on June 20.

If there are any further questions, please contact me at (617) 973-8654.

Sincerely,

Judith A. Silvia, Esq.
Director of Regulatory and
Government Affairs
Massachusetts Technology Collaborative

Attachments



COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF
TELECOMMUNICATIONS AND ENERGY

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REPLY COMMENTS

July 18, 2005

Attached please find a short Fact Sheet on the Massachusetts Green Power Partnership (MGPP) that was mentioned by a number of speakers at the technical conference held on June 20, 2005. Further information is available at MTC's website at:

<http://www.masstech.org/renewableenergy/mgpp.htm>

Massachusetts Green Power Partnership
Fact Sheet

Background - MTC's Mass. Green Power Partnership

The Massachusetts Green Power Partnership ("MGPP") is a \$36 million initiative (present value¹) designed to stimulate private investment in construction of new clean electric generating facilities in Massachusetts and New England. These facilities will be built to satisfy both the potential voluntary demand for green power among Massachusetts consumers and the requirements of the mandatory Massachusetts renewable portfolio standard ("RPS") established under Massachusetts law.

New renewable facilities require long-term REC cash-flow. Renewable energy developers are dependent on revenue streams from power sales, tax incentives, and sale of attributes (Renewable Energy Certificates - "RECs") to cover future payments to equity and debt investors and generate project income. Already faced with considerable uncertainty regarding future market prices of power, project developers must also deal with the uncertain future value of RECs. Demand for RECs, particularly over time, is uncertain. The RPS can be modified or eliminated at any time. Further, in competitive electricity markets nationwide no substantial voluntary demand for RECs has developed. As a consequence, there have been few if any long term contracts executed for RECs in Massachusetts.

MGPP provides certainty for REC cash-flow. The absence of long term contracts for RECs with creditworthy entities makes it difficult for developers to secure equity and debt financing for their projects. The MGPP aims to address the lack of REC cash-flow certainty by providing long term REC contracts, assuming the risk that government mandated demand will persist under substantially similar terms and that a voluntary market for RECs will develop. By placing funds into an escrow account to support MTC's REC purchase commitments, we also provide the creditworthiness required by equity and debt investors.

MGPP Round 1

The MGPP Round 1 solicitation was issued in May 2003. Eleven applications representing over 120 MW of proposed new renewable generating capacity were received in September 2003. The MTC Board of Directors approved 6 awards for this round. **Table 1** lists and describes the projects that have been awarded REC contracts under Round 1.

¹ MTC's present value funding allocation to MGPP represents funds that can be set-aside (e.g. placed into escrow accounts) to support future purchases of RECs. With interest earned on these funds the initiative could support up to \$58 million in REC purchases or guarantees over time.

The MGPP Round 2 Request for Proposals

On January 12, 2005 MTC issued its MGPP Round 2 Request for Proposals (RFP). Through the RFP MTC offers to commit up to \$15 million² (present value) to long-term REC contracts, resulting in up to \$25 million in REC purchases or guarantees over the life of the contracts. The RFP offers three types of REC contracts:

1. REC Purchase Agreements under which the bidder is obliged to sell and MTC is obliged to purchase a specified quantity of RECs over multiple years at the prices bid in the proposal.
2. REC Put Options under which a Bidder secures the right, but not the obligation, to sell RECs to MTC over the contract period at the prices set in the proposal (the “put option strike price”). Bidders may also propose to combine a Put-Back Option with a put option. The put-back allows MTC to require that the seller buy back the RECs at a set per-unit price that is lower than the put option strike price.
3. REC Price Collars (combined Put and Call Options) under which a Bidder secures the right to sell RECs to MTC and MTC also obtains the right to purchase RECs from the Bidder at a specified higher price (a Call Option). This contract type allows MTC to share some of the “up side potential” if the market price for RECs reaches higher levels.

The MGPP Round 2 RFP includes the following key features:

- Target Date of Commercial Operation - MTC is most interested in proposals from facilities that can demonstrate the strongest likelihood of achieving commercial operation by December 31, 2007.
- Security for MTC Obligations - MTC will post security for its REC purchase obligations by placing funds in an escrow account and entering into an Escrow Agreement with the Generator and the escrow agent. This key feature provides the REC cash-flow security required by financiers.
- Eligible Facilities - the proposed generating facility must be a new or expanded facility that either meets the requirements of the Massachusetts Renewable Portfolio Standard or is a new or expanded hydro facility for which no new dam is required.
- RET Ratepayer Benefit Requirement - Facilities supported through MGPP may be located outside Massachusetts and the RECs produced by the facility may have value in non-Massachusetts markets (e.g. for the Connecticut RPS). To ensure that the facility provides benefits on behalf of those ratepayers that pay into the Renewable Energy Trust, MTC requires that all RECs covered by option contracts be restricted to ultimate sale or use on behalf of RET Ratepayers.
- Projected Impact - MTC estimates that the \$15 million available for Round 2 will facilitate the financing and development of 25 -50 MW of new renewable generating capacity.

The expected Round 2 RFP schedule is as follows:

² Renewable Portfolio Standard alternative compliance payments may be allocated to Round 2 REC contracts thereby increasing MTC’s potential present value commitment.

RFP Issued	January 12, 2005
Proposals Due	March 18, 2005
Announcement of Selections	July, 2005
Execution of Contracts	Fall, 2005

Round 2 Proposals - On March 18, 2005 MTC received twelve proposals under round 2 of MGPP. The proposals constitute a diverse mix of technologies, project sizes and locations (see Table 1). MTC's initial economic evaluation indicates that the pool of proposals represents over \$51 million present value in potential REC contracts (\$74 million nominal).

Table 1. MGPP REC Contracts.

Developer / Seller	Tech/ State	Cap. (MW)	Present Value (million \$)	Nominal Value (million \$)	Contract Type	Development Status and Commercial Operation Date
Round 1 (2003)						
Berkshire Wind Power, LLC	Wind/ MA	15.0	5.49	8.70	REC Purchase	Finance & Procurement 3 rd quarter 2006
Brockton, City	PV/ MA	0.5	0.64	1.21	Put Option	Financing 2 nd quarter 2006
CommonWealth New Bedford Energy	LFG/ MA	3.3	2.02	2.99	Put and Call Options	Construction 3 rd quarter 2005
Hoosac Wind, LLC	Wind/ MA	30.0	9.94	17.07	Put Option & Collar	Permitting - legal chal. 2006
Pepperell Hydro, LLC	Hydro/ MA	1.3	0.61	0.75	REC Purchase	Construction 4 th quarter 2005
Public Service Co. of New Hampshire	Bio/ NH	50.0	2.38	2.72	REC Purchase	Construction 3 rd quarter 2006
Round 1 Totals		100.1	21.08	33.44		
Round 2 Proposals (2005)						
4 Biomass	MA, ME, NH	58				
2 Hydro	MA	4.3				
2 Landfill Gas	MA	1.6				
1 Tidal	NH/ME	10				
3 Wind	NH, VT	60				
Round 2 Totals (Proposals)		134				
GRAND TOTALS						

July 11, 2005